



HUD

Management & Marketing III

Sales and Closing for Asset Managers

Video Participant Guide

FINAL

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Introduction



Notes

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Introduction

Overview

The Sale and Closing module explains the tasks Asset Managers complete for selling and closing a HUD property.

Module Objectives

By the end of this module, you should be able to:

- Describe different sales methods allowed by Housing and Urban Development.
- Describe the conditions whereby an offer is either accepted or rejected.
- State how back-up offers are utilized.
- State when earnest money is required.
- Explain the process for handling vandalism after a sales contract is accepted.
- Identify the conflicts of interest rules and exceptions.
- State the AM responsibilities for assigning sales to and overseeing closing agents.
- Explain when there are either fees or no fees for a contract extension.
- Describe how taxes, assessments, fees and dues are paid at settlement.
- State the AM responsibilities in handling purchaser complaints.
- Explain the process in correcting unreconciled or unmatched sales closing proceeds.

Agenda

- Sales Methods
- Terms of Sale
- Terms of Closing
- Post Closing
- Conclusion

Sales Methods



Notes

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Sales Methods

Overview

This lesson reviews how to engage in real estate owned (REO) property competitive and discounted direct sale efforts.

Lesson Objective

After completing this lesson, you should be able to describe different sales methods allowed by HUD.

Sales Methods Overview

There are two primary methods by which REO properties are sold:

1. Competitive sales
2. Direct sales

Competitive Sales

Competitive sales have two stages, which is the primary way the majority of REO properties are sold:

- Exclusive Listing Period: These are properties that did not sell under direct sale or were not sold through the direct sale option. For the exclusive listing, only bids will be received from:
 1. Individual purchasers who intend to occupy the property as their primary residence.
 2. HUD-approved non-profit organizations.

3. Government entities that are entitled to purchase properties at a discount.
- Extended Listing Period: If a property is not sold during the exclusive listing period, it is extended for purchase consideration to all classes of bidders.

If after **180 days**, a property has not been sold, you may directly offer the property to agencies of local governments for \$1 plus closing costs.

After you make this offer to agencies, if there is no buyer within **10 days**, re-list the property on the extended listing while continuing to make the property available to agencies of local governments for \$1 plus closing costs.

PWS Reference

5.2.2.3 Competitive Sales

Direct Sales

In a direct sale, the property is sold directly to a specific purchaser such as a tenant who has Right of First Refusal or through direct sale programs.

The direct sale programs include:

- Good Neighbor Next Door (GNND) program
- Sales to HUD-approved non-profit organizations and government entities
- Asset Control Area (ACA) program
- Lottery period
- \$1 Home Sale
- Indian or tribal land property sales

PWS References

- 5.2.2.2 Direct/Discounted Sales
- 5.2.2.2.3 Lottery Period
- 5.2.2.3 Competitive Sales

- 5.2.2.4 \$1 Home Sale
- 5.2.2.5 Asset Control Area (ACA) Program
- 5.2.2.6 Sale of Properties on Indian or Tribal Lands

Competitive Sales Overview

There are two stages to the competitive sale process. These two stages are the:

- Exclusive listing period
- Extended listing period

In the next few sections, you will learn about these two competitive sales listing periods and what HUD requires of you.

PWS Reference

5.2.2.3 Competitive Sales

Step 6 is the general listing period.

Exclusive Listing Overview

If a property did not sell or was not subject to sale through a direct sale method, you must list it on the P260 Bid Site for an exclusive listing period.

During this time, the bids that are received may only come from:

- Individual purchasers who intend to occupy a property as their primary residence.
- HUD-approved non-profit organizations.
- Government entities.

PWS Reference

5.2.2.3.1 Exclusive Listing Period

Property Insurability and Exclusive Listings

The period of time for an exclusive listing depends on the property's insurability. If the property is insured or insured with escrow, the exclusive listing period is 30 days for owner-occupant buyers. If the property is uninsured, the exclusive listing period is five days for owner-occupant buyers.

Exclusive Listing Time Length

The exclusive listing period is never more than 30 days, but on occasion, the GTR may instruct you to change the number of days for the exclusive listing period. The length of time for this competitive sales period may vary based on the property's insurability.

PWS Reference

5.2.2.3.1 Exclusive Listing Period

Exclusive Listing Bidding Process

Insurable/Insurable with Escrow

For insured and insured with escrow properties, on the 16th day of the exclusive listing period, you must open and review all bids received. If there is no winning bid on day 16, you must open and review bids on a daily basis until the 30-day period ends.

If at the end of 30 days there is no winning bid, you must extend the listing to all buyers by listing the property in the extended listing period.

Uninsurable

For uninsured properties, the process is shorter. At the end of five days of the listing of the property, you must open the bids simultaneously. If you have received no acceptable owner-occupant net bid, then you must extend the listing to all buyers by listing the property in the extended listing period.

PWS References

- 5.2.2.3.1 Exclusive Listing Period
- 5.2.2.3.1(1) Insured/Insured with Escrow
- 5.2.2.3.1(2) Uninsured

Non-profits and government entities will not receive a discount on insurable properties.

Exclusive Listing Winning Bids

The guiding principle in identifying the winning bid is: It is the **one that results in the greatest net return for HUD**. Your responsibility is to select the bid that is **equal to** or **greater than** the minimum acceptable bid.

The formula to calculate the **net offer** is:

Bid Price

(-) Closing costs

(-) Real estate sales commissions

= Net Offer

PWS Reference

5.2.2.3.1.3 Winning Bid

Make sure the winning bid is the one that results in the greatest net return for HUD.

Guidelines

There are several guidelines to this guiding principle. If:

- You receive multiple bids on a property from the same individual, the highest net bid among the bids should be the one chosen for consideration.
- One individual bids on multiple properties, the bid that will bring the highest net return is the one selected for consideration. Further, if you receive identical bids, where one is the owner-occupant and the other is an investor, preference will be given to the owner-occupant.
- You receive identical bids and both are owner-occupants, the winning bid will be based on drawing lots.

PWS Reference

5.2.2.3.1.3 Winning Bid

No Winning Bids?

If all received bids are unacceptable, counteroffer by providing all bidders with an identical minimum acceptable bid allowing them to counteroffer and provide bidders with the cut-off date for submitting bids.

The highest acceptable net counter-offered bid received within the specified time will be the winner.

If none of the counteroffers meet the requirements, either:

- Request GTR concurrence to accept a bid that is less than the minimum acceptable bid and document in P260 the rationale of why acceptance of this bid would be in HUD's best interest.
- Reject all bids and list the property under the extended listing period.

PWS Reference

5.2.2.3.1.3 Winning Bid

Extended Listing Period

If a property has not been sold during the exclusive listing period, you must offer the property for sale to all classes of bidders.

During the extended listing period, all received bids are opened daily at the end of each business day. Bids received on the same business day must be treated as having been received simultaneously and will be considered together.

To determine the winning bidder, use the procedures outlined in the topic, "Exclusive Listing Bidding Process".

In addition, HUD-approved non-profits and government entities are entitled to purchase properties at a discount during this period.

After a total of 180 days being listed competitively, local governments must be offered the property exclusively as a \$1 home. If the property does not sell, it goes back to extended listing, but additionally remains an offering as a \$1 home to local governments.

PWS References

- 5.2.2.3.2 Extended Listing Period
- 5.2.2.3.1.3 Winning Bid

Hard-to-Sell Properties

Hard-to-sell properties include properties:

- That are vacant lots.
- With very low market value.
- In remote areas not served by local real estate professionals.
- With unusual features that may negatively affect a sale.

Your Marketing Plan should have a comprehensive approach and viable solutions to sell hard-to-sell properties.

With the exception of the \$1 homes, when the market value of a hard-to-sell property results in a sales commission of less than \$2,500, the sales commission will be \$2,500.

PWS Reference

5.2.1.15.1 Hard to Sell Properties

Make sure to follow your Marketing Plan regarding hard-to-sell properties.

☒ Knowledge Check

Take a moment to check your understanding about the information you have learned so far.

1. An uninsured property can be listed competitively under an exclusive listing for _____ days before all bids are opened.
 - a. Five
 - b. Ten
 - c. Fifteen

2. If the property is insured, you can expect an unsold property to remain on the exclusive market for a total of 40 days.
 - a. True
 - b. False
3. A net offer for an exclusively listed property is made up of the bid price minus two items. These items are _____ and _____.
4. Does the following passage describe the exclusive or extended bidding process for insured and insured with escrow properties?
 - o On the 16th day of the listing period, open and review all bids received. If there is no winning bid, **every** day thereafter until the 30-day period ends, you must open and review bids. If at the end of 30 days there is no winning bid, you must extend the listing to all buyers by listing the property in the extended listing period.
 - a. Exclusive
 - b. Extended
5. To determine the winning bidder for an extended listing property, you can only accept bids from an investor.
 - a. True
 - b. False
6. For all hard-to-sell property cases, if the market value results in a sales commission of less than \$2,500, the sales commission will be \$2,500.
 - a. True
 - b. False

Direct Sales Overview

In a direct sale, the properties are sold directly to a specific purchaser. Typically, this occurs before the property is listed for sale on a competitive basis.

In some cases, you will remove the property from competitive sale in order to facilitate a direct sale. There are far fewer direct sales than there are competitive sales of REO properties.

There are several kinds of direct sales, including:

- Qualified tenants exercising their Right of First Refusal. The Right of First Refusal always occurs prior to any other direct or competitive sales activity.
- Offering the Good Neighbor Next Door (GNND) program.
- Offering eligible properties to HUD-approved non-profits and government entities.
- Making vacant properties available to an Asset Control Area (ACA) participant, if an ACA exists.
- Listing homes for \$1 to local government agencies after the property has been listed for 180 days.

In addition, a HUD-generated finding that a specific property sale would be in the Secretary's best interest can occur. You will be notified of such findings.

PWS Reference

5.2.2.2 Direct/Discounted Sales

If you conduct a direct sale, you complete **Step 4**.

Activity: Direct Sale Discount-Related Methods

Purpose

This activity is a learning discovery activity. The goal is for you to have a better understanding of these direct sale discount-related activities.

Instructions

Refer to the back of the module in the Activity section for activity instructions, the activity itself, and the answer key for the activity.

\$1 Home Sale

If a property has been offered for sale for 180 days and is not under a sales contract, it shall be offered to local government agencies for a sales price of \$1 plus closing costs.

Those properties that are not sold will be re-listed for extended listing and will concurrently continue to be offered to local government agencies for the \$1 plus closing cost purchase price.

PWS Reference

5.2.2.4 \$1 Home Sale

Housing Notices and other policy directives will have further information on the \$1 Home Sale. Make sure to check these frequently as they change often.

Indian or Tribal Land Property Sales

For properties located on Indian or tribal lands, you must notify the GTR, who will provide you with written instructions on specific marketing and sale restrictions and requirements, if there are any.

The properties may involve a lease-hold. By the terms of the lease-hold, potential purchasers may be limited to tribal members only.

PWS Reference

5.2.2.6 Sale of Properties on Indian or Tribal Lands

☒ Knowledge Check

Take a moment to check your understanding about the information you have learned so far.

1. If the property has been listed for 180 days or more and has not been sold, the next step is to offer it for \$1 to:
 - a. GNND participants
 - b. HUD-approved non-profits
 - c. Local government entities
2. Listed below are several direct sales discount-related methods. The item that is **not** one of the qualifiers or methods is/are the:
 - a. ACA program
 - b. GNND program
 - c. Indian or tribal land property sales effort
 - d. \$1 home sale effort

Terms of Sale



Notes

[illegible]

Terms of Sale

Overview

This lesson reviews a number of conditions and rules that determine whether a contract offer will be successful. It also reviews post-contract procedures when the property is vandalized, as well as how to avoid conflicts of interest.

Lesson Objectives

After completing this lesson, you should be able to:

- Describe the conditions whereby an offer is either accepted or rejected.
- State how back-up offers are utilized.
- State when earnest money is required.
- Explain the process for handling vandalism after a sales contract is accepted.
- Identify the conflicts of interest rules and exceptions.

Sale Conditions Overview

A number of conditions determine whether an offer will be accepted or rejected. There are also several exceptions or caveats to these conditions. You must understand both to close successfully on a HUD-owned property.

The general conditions and the exceptions to these conditions include the:

- Qualifying purchaser
- Owner-occupant purchaser
- Licensed real estate broker
- Bidders

Accept or reject offers in accordance with your Marketing Plan, as well as with the HUD Handbook 4310.5 Rev 2 (Chapter 10) and 24 CFR 291.205 and 291.210.

- Financial considerations
- Flood insurance notification

Accepting an offer is **Step 7**.

PWS Reference

5.2.5 Terms of Sale

Qualifying Purchaser

The first condition leading to offer acceptance or rejection must be a qualified purchaser.

A qualified purchaser can be anyone, including a transferor of a property, regardless of race, color, religion, sex, national origin, familial status, age or disability.

PWS Reference

5.2.5.1: Qualified Purchasers

Exceptions

There are two exceptions to being a qualified purchaser:

- Members or delegates of Congress are ineligible.
- If the non-occupant mortgagor defaults on a property and he/she tries to reacquire that property, it cannot be repurchased with an FHA-insured mortgage to reacquire the property.

PWS Reference

5.2.5.1: Qualified Purchasers

Conflicts of interest must be avoided. Selling a government-owned property to a member or delegate of Congress would be a conflict of interest.

Owner-Occupant Purchaser

The qualified owner-occupant purchaser must fit one of three categories, in that he/she:

- Intends to occupy the property as a principal residence.
- Is a HUD-approved non-profit.
- Is a government entity.

If the owner-occupant purchaser intends to occupy the property as a principal residence, he/she must complete a certification indicating:

- Intention to occupy the location as his/her primary residence for at least 12 months.
- Not having purchased a property from HUD as an owner-occupant during the prior two years.

Despite the fact that he/she will have completed the certification, you must also verify eligibility status in P260.

PWS References

- 5.2.5.3 Sales to Owner Occupants
- 5.2.5.3.1 Certification

Licensed Real Estate Broker

A condition that enables bids to be submitted on behalf of prospective purchasers of real estate owned (REO) properties is the use of a licensed real estate broker. This individual broker must have registered with HUD and received a Name and Address Identifier (NAID).

Bidders must submit offers during exclusive or extended listing periods through a real estate broker licensed to do business in the state where the property is located. This does not apply to bids from HUD-approved non-profit organizations or government entities.

PWS Reference

5.2.5.2 Use of Real Estate Brokers

A case can go to **Step 7** but cannot go to **Step 8** with a pending NAID. Therefore, a contract can be entered, but it cannot progress to **Step 8** if the non-profit NAID, selling broker NAID or closing agent NAID has a pending NAID.

Broker/Agent Training

In accordance with your Marketing Plan, it is your responsibility to provide periodic broker/agent training to ensure that selling brokers are familiar with HUD's property disposition policies and procedures.

PWS Reference

5.2.5 Terms of Sale

Your Marketing Plan is your indispensable blueprint. Refer to it frequently to guide you.

Broker Sales Commissions

Unless your Marketing Plan specifies a higher rate, broker sales commissions may not exceed 6% of the bid prices. Sales commissions shall be split 50/50 between the listing and selling brokers.

When you have determined the maximum amount of commission, only the selling broker may accept a lower commission, and such acceptance shall not affect the amount the listing broker will receive.

For example, if the maximum commission were 5%, each broker would receive 2.5%. However, the selling broker may elect to receive only 2% on the sale, in which case the listing broker will still receive only 2.5%, making the total commission paid 4.5%.

Upon submission of a bid, the selling broker enters the actual commission to be paid on the commission line of the HUD sales contract.

PWS References

- 5.2.5.2 Use of Real Estate Brokers
- 5.2.1.15 Sales Commissions
- 5.2.1.14 Selling Broker Registration
- Amendment 9

Back-Up Bidders

If the fully executed sales contract is not received within **two** business days, you may notify the qualifying back-up bidder that he/she has won the bid.

The new winner has the same **two** business day turnaround to submit a fully executed sales contract.

With the GNND program, you are allowed to have two back-up bidders. If the sales contract for the first back-up bidder fails to close, you may offer the same opportunity to the second back-up bidder. If that bidder does not close, then you re-offer the property for sale.

PWS References

- 5.2.5.5 HUD Contract
- 5.2.5.6 Acceptance of Contracts

Not only must you know and understand HUD's requirements for you, but you must also be aware of all relevant local and state laws.

Knowledge Check

Take a moment to check your understanding about the information you have learned so far.

1. A qualified purchaser can be a member of Congress if he/she is not affiliated with you or any of your affiliates or immediate family.
 - a. True
 - b. False

2. An owner-occupant can be a HUD-approved non-profit.
 - a. True
 - b. False
3. All owner-occupant bidders must submit their offers during exclusive or extended listing periods through a real estate broker licensed to do business in the state where the property is located.
 - a. True
 - b. False
4. Unless your Marketing Plan specifies a higher rate, broker sales commissions may not exceed 5% of the bid price.
 - a. True
 - b. False

Financial Considerations Overview

Adhering to specific financial-related conditions is critical to ensuring that a bid is accepted. These financial considerations include:

- Earnest money
- Financing
- Closing costs
- Purchase Money Mortgages
- Back-up offers

In addition to understanding HUD regulations, make sure to know your state and local laws.

PWS References

- 5.2.5.8 Earnest Money
- 5.2.5.9 Financing
- 5.2.5.7 Closing Costs
- 5.2.5.10 Purchase Money Mortgages
- 5.2.5.4 Back Up Offers

Earnest Money

The selling broker must submit earnest money along with the executed sales contract.

The earnest money amount varies in that if the property sales price is:

- Equal to or less than \$50,000, the earnest money deposit is \$500.
- Greater than \$50,000, the amount of the earnest money deposit may vary between \$500 and \$2,000.

Your Marketing Plan will specify the exact amount of required earnest money.

Earnest money deposits can be forfeited for failure to close a sale. Refer to:

- HUD Handbook 4310.5 Rev 2, paragraph 10.18E and F.
- The sales contract.

Under specific conditions, earnest money can be refunded. One example is that the owner-occupant cannot obtain financing.

PWS References

- 5.2.5.8: Earnest Money
- 5.2.5.8.2: Forfeiture

Ratifying the sales contract is **Step 8**.

Financing

Potential property purchasers are entirely responsible for obtaining financing. You may not recommend or steer purchasers to any particular loan officer or financing company or entity.

PWS Reference

5.2.5.9: Financing

Conflict of Interest alert! Don't recommend or steer purchasers to any particular loan officer or financing company or entity.

Closing Costs

HUD will pay allowable closing costs, not to exceed the maximum amount prescribed by HUD.

This is currently 3% of the purchase price of the property. This occurs when the purchaser makes the request on Line 5, which is the seller contribution line of the sales contract.

Properties sold with discounts are not eligible for closing cost assistance.

PWS Reference

5.2.5.7 Closing Costs

Make sure to check HUD's website regularly to become familiar with current Housing Notices and search for new ones.

Back-Up Offers

Your Marketing Plan will describe your back-up offer procedures. Hold all back-up offers until the property closes.

PWS Reference

5.2.5.4 Back Up Offers

Knowledge Check

Take a moment to check your understanding about the information you have learned so far.

1. If the property sales price is \$49,275, the earnest money deposit would be:
 - a. Between \$500 and \$2,000
 - b. \$500
 - c. \$1
2. HUD's allowable closing costs are _____ %.
 - a. 3
 - b. 4
 - c. 5
3. When you are holding back-up bids, you only need to hold them until a sales contract and earnest money is submitted.
 - a. True
 - b. False

Other Important Conditions

Beyond financials, there are other important conditions

and issues for you to address. These include:

- Flood insurance notifications
- Inspection contingencies
- Post-award vandalism
- Conflicts of interest

PWS References

- 5.2.5.11: Flood Insurance Notification
- 5.2.5.12: Inspection Contingency
- 5.2.5.13: Vandalism Damage After Acceptance of a Sale Contract
- 5.1.13: Conflicts of Interest

Flood Insurance Notifications

The appraisal report will indicate if a property is located in a special flood hazard zone area.

If an FHA-insured property is located in a special flood hazard zone area where flood insurance is available through the national Flood Hazard Insurance Program, you must notify the closing agent that flood insurance must be obtained as a condition of closing.

This flood insurance must be purchased even if it is not required by the purchaser's mortgagee, if there is one.

PWS Reference

5.2.5.11 Flood Insurance Notification

Exceptions

There are several exceptions to the requirement to

purchase flood insurance, including:

- Vacant lots
- Properties sold to ACA partners that are scheduled for demolition
- Properties sold without any type of federal assistance, including, but not limited to:
 - Discounts
 - Sales incentives
 - Closing cost assistance

PWS Reference

5.2.5.11: Flood Insurance Notification

Inspection Contingencies

If the purchaser requests any inspections, tests or risk assessments, he/she has 15 days from the date the sales contract is accepted by HUD to conduct them.

These are done at the purchaser's expense and occur at the same time as any effort being expended to eliminate lead-based paint hazards in single family properties built before 1978 and FHA-insured.

If prior to the expiration of these 15 days, you receive written notice of the purchaser's withdrawal from the sales contract, the purchaser's obligation to purchase the home is terminated.

PWS Reference

5.2.5.12 Inspection Contingency

Earnest Money Refund

If the GTR determines a property has serious problems that you did not previously disclose or correct, the

owner-occupant purchaser is entitled to a refund of earnest money **only if he/she provides a copy of a home inspection report documenting these problems.**

PWS References

- 5.2.5.12: Inspection Contingency
- 5.2.3.1 Lead Based Paint

Vandalism after Contract Award

If a sales contract has been accepted and vandalism occurs prior to closing, you must issue a work notification in P260 for repair or removal by the responsible Field Service Manager (FSM) contractor of:

- Any graffiti on private and public surfaces on the property.
- Damage of locks, doors and windows and return them to their prior condition.
- Health or safety hazard, which must immediately be addressed.

PWS Reference

5.2.5.13 Vandalism Damage
after Acceptance of a Sales Contract

Before issuing a work notification regarding vandalism, you must **first obtain approval** from the GTR.

Appliance Damage

If appliances are damaged or removed from the property after sales contract acceptance, you can

either request approval from the GTR for a contract price adjustment or receive a credit.

If approved by the GTR, the price adjustment or credit for installation or repair of appliances will be as follows:

- \$200 for a range
- \$250 for a refrigerator
- \$150 for a dishwasher
- \$500 for a central air conditioner compressor

PWS References

- 5.2.5.13.1 Other Damage
- 5.2.5.13.2 Missing Appliances

Other Damage

If damage from any cause, including vandalism, occurs after the sales contract has been accepted, issue a work notification to the FSM in P260 to complete estimates needed to return the property to its condition at the time of acceptance of the sales contract. Provide estimates with a repair recommendation to the GTR.

If the GTR approves this request, you must follow the directions as provided by the GTR, which may include:

- Initiate a work notification request in P260 to have the FSM contractor repair the damage.
- Negotiate a contract price adjustment.
- Approve a credit to be paid to the purchaser from proceeds in lieu of performing repairs prior to closing.

PWS Reference

5.2.5.13.1: Other Damage

Knowledge Check

Take a moment to check your understanding about the information you have learned so far.

1. If you are interested in purchasing a vacant lot in a special flood zone, you must also purchase flood insurance.
 - a. True
 - b. False
2. Your GTR will determine whether you need to repair vandalized property.
 - a. True
 - b. False

Notes

[illegible]

Terms of Closing



Notes

[illegible]

Terms of Closing

Overview

In this lesson, you will learn your responsibilities in working with closing agents and the common issues that may arise as you work with them. You will also learn about terms of closing such as contract closings, extensions, taxes, assessments and dues at settlement.

Lesson Objectives

After completing this lesson, you should be able to:

- State the AM responsibilities for assigning sales to and overseeing closing agents.
- Explain when there are either fees or no fees for a contract extension.
- Describe how taxes, assessments, fees and dues are paid at settlement.

Terms of Closing Overview

Currently, closings are conducted by HUD-designated closing agents throughout the U.S., and there can be one or more closing agents per contract area.

Closing agent duties may vary from contract to contract. Closing agents may also have prescribed geographic areas, as well as a maximum number of closings.

Generally, their responsibilities and duties include, but are not limited to:

- Ensuring HUD proceeds are delivered timely
- Holding earnest money deposits
- Disbursing proceeds properly
- Conducting closings
- Submitting closing packages
- Coordinating extension requests
- Wiring sales proceeds to the U.S. Treasury

PWS Reference

5.2.6.1 HUD Designated Closing Agents

Sales Assignments

Before you make a closing agent sales assignment, it is critical that you first ensure that you have received a fully executed sales contract from a licensed broker with a HUD NAID and that the earnest money deposit accompanies the contract.

At the point when you either execute a sales contract or receive a fully executed Notice of Acquisition (NOA) from an ACA participant, you must provide HUD's closing agent with a delivery order within **two** days.

Make sure to include legible copies of the following items:

- An executed sales contract and addendums
- Tax information
- Homeowner association documents
- All outstanding property bills
- Title evidence when available
- Any other documentation that the GTR deems as necessary

Earnest money must accompany a fully executed sales contract so the closing agent can open escrow.

PWS Reference

5.2.6.1.1 Sale Assignments

Other Sales Assignment Tasks

Sales assignment-related tasks you must accomplish also include:

- Ensuring that sales contracts are assigned to the correct closing agent.
- Verifying with the GTR that the closing agent does not exceed the maximum ordering cases prescribed in each closing agent contract.
- Recording the date you received the title search from the closing agent in P260.
- Notifying the Mortgagee Compliance Manager (MCM) via e-mail for reconveyances due to title deficiencies.

PWS Reference

5.2.6.1.1 Sale Assignments

Overseeing Closing Agents

You have a number of oversight responsibilities in working with closing agents.

These include:

- Reporting closing agent performance deficiencies to the GTR on a daily basis.
- Monitoring closing agents to ensure their contract requirements are fulfilled.
- Submitting a monthly report to the GTR that lists:
 - Closing agent deficiencies.
 - Late submissions.
 - Sales contract extensions that resulted from closing agent error or incapacity.
 - Complaints about the closing agent's performance.
- Reviewing transmittals submitted by closing agents for accuracy and sending accurate transmittals forward to the HOC for payment.

Each case cited on the monthly report must include:

- Current status of closing
- Date of occurrence
- Property address
- Case number

PWS Reference

5.2.6.1.2: Oversight of Closing Agents

Closing Agent Deficiencies Report

As stated earlier, you will submit a monthly report to your GTR listing:

- Closing agent deficiencies
- Late submissions
- Sales contract extensions resulting from the closing agent's error or incapacity
- Complaints about closing agent performance

The Closing Agent Deficiencies Report must be posted in the report section of P260 on the 10th business day of the month following the month of activity covered in the report.

PWS References

- 5.2.6.1.2 Oversight of Closing Agents
- 5.4.1 Closing Agent Deficiencies Report

Common Closing Agent Deficiencies

There are numerous reasons why a closing agent may be deficient. Some common deficiencies that have historically occurred include the following categories and actions:

- Title
- Pre-closing
- HUD-1
- Relevant fees

PWS Reference

5.2.6.1.2 Oversight of Closing Agents

Title

One common title-related closing agent deficiency is failing to submit a title search in a timely manner.

PWS Reference

5.2.6.1.2 Oversight of Closing Agents

Pre-Closing

You may find that some of the common pre-closing closing agent performance deficiencies include:

- Failing to deliver a complete/correct pre-closing package.
- Entering an incorrect name or case number on the deed.
- Sending back an expired deed late when the sale is cancelled.
- Failing to attach the legal description to the deed or putting incorrect names on the deed.
- Sending in a pre-closing package without all appropriate documents for GNND program.
- Delivering the pre-closing package prior to getting an amendment signed and approved.

PWS Reference

5.2.6.1.2 Oversight of Closing Agents

HUD-1

Some of the more common potential errors made by closing agents on HUD-1 forms may include:

- Including non-approved fees on the HUD-1.
- Failing to send the original HUD-1.
- Submitting no HUD-1 or the incorrect HUD-1.
- Changing the HUD-1 without approval.
- Omitting the case number of the pre-HUD-1.
- Listing the incorrect amount for repair escrow on the HUD-1.
- Listing miscalculated taxes on HUD-1.
- Crediting the buyer rather than the seller on the HUD-1.
- Charging the buyer rather than the seller for seller-paid fees on the HUD-1.

PWS Reference

5.2.6.1.2 Oversight of Closing Agents

It is your responsibility to ensure that the HUD-1 is correct prior to closing and then reconcile the pre-HUD-1 to the final HUD-1.

Relevant Fees

Often closing agents demonstrate deficiencies in the area of fees. Some of these include:

- Adding a fee without approval, as well as omitting the escrow fee or repair escrow amount from HUD.
- Providing the incorrect proration date.
- Failing to calculate HOA pro-rations correctly or submitting the HOA payoff.
- Failing to invoice the seller for insurance, survey, mortgagee and/or attorney/title fees.
- Changing FHA fees without authorization.

PWS Reference

5.2.6.1.2 Oversight of Closing Agents

☒ Knowledge Check

Take a moment to check your understanding about the information you have learned so far.

1. When you submit a delivery order to the closing agent, the item that is **not** considered part of the sales assignment is:
 - a. An executed sales contract and addendums
 - b. Tax information
 - c. Broker fees
 - d. Homeowner association documents

2. Your job in terms of closing agent behavior oversight is informal and insignificant.
 - a. True
 - b. False

Contract Closings

It is your primary responsibility to ensure that all sales close in the time specified on the sales contract's closing date line.

Your responsibilities include:

- Communicating with the selling broker (or purchaser if he/she is not using a broker) on each sale to ensure a timely closing *or* a contract cancellation.
- Reviewing the preliminary HUD-1 and all revised HUD-1s entered in P260 by the closing agent.
- Accepting the final HUD-1 in P260.
- Ensuring that the HUD-1 is complete and accurate.
- Communicating with the closing agent until the HUD-1 is final.
- Providing all necessary sales documentation in sufficient time to ensure a timely closing to the following individuals:
 - Closing agent
 - Purchaser
 - Selling broker
 - Purchaser's mortgagee
- Ensuring all closing documentation is accurate.

Time is of the essence
in a closing.

- Verifying all costs being charged to HUD are accurate.
- Complying with the requirement that executed deeds are sent to the closing agent no later than **five** business days prior to the anticipated closing.
- Retrieving the executed deed from the closing agent if the closing is delayed for any reason.
- Researching and resolving inconsistencies resulting from sale closings.

PWS Reference

5.2.6.2 Contract Closings

The contract extension fee should be identified in the Marketing Plan.

Contract Extensions

Sometimes a sale will not close in the specified time. Before this occurs, the selling broker (or the purchaser if he/she has no broker) will submit a written request for a sales contract extension to the closing agent, who will then forward it to you.

It is important that the request demonstrate that the closing is imminent, and it must be submitted prior to the expiration of the time specified on the sales contract.

PWS Reference

5.2.6.3 Contract Extensions

The extension request must demonstrate that the closing is **imminent**.

Marketing Plan Procedures

Your Marketing Plan provides you with a procedure for timely approval of sales contract extension requests in a way that ensures all purchasers will receive fair and equitable treatment regarding their requested extensions.

If you approve a sales contract extension, you must update P260 to reflect both the:

- Revised closing date.
- Collection or waiver of extension fees.

PWS Reference

5.2.6.3 Contract Extensions

Use your Marketing Plan's sales contract extension procedure.

Contract Extension Fees

In granting a sales contract extension, you have the option of assessing a moderate daily fee for initial or repeat sales contract extensions. This fee may not exceed \$25 per day.

Enter as a credit to HUD any collected sales contract extension fees on the HUD-1. These are in addition to all other sums due under the terms of the sales contract.

PWS Reference

5.2.6.3.1 Extension Fees

The contract extension fee should be identified in the Marketing Plan.

Forfeited Extension Fees

If the sale is cancelled, the closing agent must send to you the forfeited extension fees. It is your responsibility to deposit these in HUD's lockbox following procedures outlined in HUD Handbook 24210.5 Rev-2, Chapter 15.

PWS Reference

5.2.6.3.1 Extension Fees

No Cost Contract Extensions

When the request for a contract extension arises because of a failure by HUD, your company, HUD's closing agent or a title defect, an extension will be provided and the purchaser will not be charged.

For a no cost contract extension, you must give owner-occupant purchasers an initial extension at no cost, as long as documentation is provided indicating that:

- A proper and timely loan application was made.
- The delayed closing was not the purchaser's fault.

A free contract extension for a Section 203(k) loan may be up to 30 days.

PWS Reference

5.2.6.3.2 No Cost Extensions

Taxes, Assessments, Fees and Dues at Settlement

On occasion, due to a pending sale or other timing considerations, you may determine that it is in HUD's best interest to have property taxes or assessments paid from settlement proceeds.

This procedure should be an exception to normal processing for payment of taxes and other fees.

Should that occur, you must obtain GTR approval for the closing agent to include these charges on the HUD-1 Form Settlement Statement as a seller expense.

Despite this, if the payment is late due to your error, you will be required to pay for any penalties or interest charges. List these as a seller's expense, even though you are the one refunding the money.

PWS Reference

5.2.6.4 Paying Taxes, Assessments, Fees and Dues at Settlement

Penalties and Interest Charges

On occasion, the penalties and interest charges accrue due to your mistake. In this case, these costs are still reflected on the HUD-1 as a seller's expense, but you must refund these expenses to HUD.

The government may assess late fees and penalties from future payments owed you.

The government reserves the right to deduct your late fees and penalties directly from future payments owed to you.

When penalties and interest charges are due, you must file the Administrative Remedies Report (ARR) with the MCM and GTR.

This GTR is responsible for proceeding with the appropriate collection actions to recover the penalties and interest from the responsible party.

Expense refunds come out of **your** pocket.

PWS Reference

5.2.6.4 Paying Taxes, Assessments, Fees and Dues at Settlement

Property Tax Assessments

Within three days after HUD's tax service contractor has entered tax assessment data in P260, you are required to review the tax data and process a payment transmittal by HUD for all applicable tax assessments to bring property taxes current.

This must occur in a timely manner and comply with HUD's REO Financial Control Manual.

PWS References

- 5.2.9.1 Tax Service Contractor
- 5.2.9.2 Initial Real Estate Taxes

When a property closes, **Step 9** is completed.

Subsequent Taxes and Special Tax Assessments

Taxes and special assessments that are due must be processed in a timely manner to ensure that penalties and late fees are avoided. You must exercise sustained due diligence to make sure that transmittal processing of subsequent tax bills and special assessments occur.

Fifteen business days before a tax bill or a special assessment is coming due, you must send transmittals to the Homeownership Center (HOC).

Penalties or interest charged to HUD due to **your** late payment of taxes and/or special assessments occurring from assignment to settlement are your responsibility to pay. This also includes late processing of data received from the tax service contractor.

If you are late, send a check along with the tax transmittal to cover the cost of any penalties or interest charges due to HUD.

PWS Reference

5.2.9.3 Subsequent Taxes and Special Tax Assessments

☒ Knowledge Check

Take a moment to check your understanding about the information you have learned so far.

1. Your bottom line goal in terms of closing a contract is: (Choose all that apply.)
 - a. Overseeing the HUD-1 to ensure that it is complete and accurate.
 - b. Ensuring that all sales close in the time specified on the sales contract's closing date line.
 - c. Providing the closing agent with all necessary documentation to ensure a timely closing.
 - d. All of the above.
2. Your Marketing Plan should provide a procedure for timely approval of sales contract extension requests in a way that ensures all purchasers will receive fair and equitable treatment regarding their requested extensions.
 - a. True
 - b. False
3. The daily fee you may assess for a contract extension is:
 - a. No more than \$25
 - b. No less than \$25
 - c. \$25

4. Which of the three responses to the following statement **incorrectly** finishes it?

Statement: You must give owner-occupant purchasers an initial extension at no cost, as long as documentation is provided indicating that:

- a. A proper and timely loan application was made.
 - b. P260 reflected the revised closing date.
 - c. The delayed closing was not the purchaser's fault.
5. Property taxes or assessments are automatically paid from settlement proceeds.
- a. True
 - b. False

Notes

[illegible]

Post-Closing



Notes

[illegible]

Post-Closing

Overview

This lesson gives you guidance on handling post-closing complaints and problems with unreconciled or unmatched sales closing proceeds.

Lesson Objectives

After completing this lesson, you should be able to:

- State the AM responsibilities in handling purchaser complaints.
- Explain the process for correcting unreconciled or unmatched sales closing proceeds.

Post-Closing Purchaser Complaints

When purchasers complain after closing, it is your responsibility to respond to and notify your GTR of all post-closing complaints within **two** business days.

You must also do the following to address these complaints:

- Resolve post-closing complaints no later than 30 calendar days following receipt of the complaint unless prohibited by mitigating circumstances.
- Notify the GTR of the resolution by e-mail via P260.
- Document the resolution of the complaint in P260.

If You Are Liable

If it is determined that the complaint comes from erroneous listing information or other errors or omissions made by you or your employees, subcontractors or agents, the expense is yours.

If HUD Appears to Have Liability

On occasion, you may believe that HUD is liable for the claim. In that case, you must provide the GTR a written statement with:

- Your determination of HUD's potential liability.
- An estimate of the cost of resolving the complaint.

You must provide the written statement at least 15 calendar days prior to the expiration of the 30-day resolution period.

If the GTR directs you to make the repair or compensate the complainant, you are entitled to reimbursement as a pass-through expense of the cost incurred to resolve the complaint.

PWS References

- 5.2.6.5 Post Closing
- 5.2.6.5.1 Purchaser Complaints
- 5.2.6.5.1 Purchaser Complaints Closing

Sales Closing Reconciliation

If you have been notified by the GTR of unreconciled or unmatched sales closing proceeds based on the final HUD-1, you have no more than 30 days to take corrective action to resolve the issue.

PWS Reference

5.2.6.5.2 Sales Closing Reconciliation

Start the resolution process as quickly as possible. Do not wait for 29 days before initiating it.

Determine the Responsible Party

As part of your resolution effort to determine the nature, responsible party and amount of the unmatched and/or unreconciled funds, you must obtain information from all relevant sources to determine the responsible party.

Some sources of information may include:

- Executed sales contract
- Wire transfer
- HUD-1 from P260 (and/or a response from the closing agent)

PWS Reference

5.2.6.5.2 Sales Closing Reconciliation

If HUD Received Excess Funds

If your findings indicate that HUD received excess funds, you are obligated to:

- Provide the GTR with a written statement identifying that HUD owes money to the mortgagee, purchaser or closing agent.
- Provide the GTR with the amount owed.
- Submit the required transmittal to HUD, which includes supporting documentation.

PWS Reference

5.2.6.5.2 Sales Closing Reconciliation

If HUD Is Owed Funds

If HUD is owed funds, you are responsible to:

- Provide the GTR a written statement of who owes the money to HUD (such as, the closing agent or purchaser).
- Include in your written statement supportive documentation showing what is owed.
- Initiate the appropriate collection actions.

PWS Reference

5.2.6.5.2 Sales Closing Reconciliation

☒ Knowledge Check

Take a moment to check your understanding about the information you have learned so far.

1. When you receive a post-closing complaint from a purchaser, you have ____ business days to notify your GTR.
 - a. Two
 - b. Five
 - c. Seven
2. If the GTR directs you to address a post-closing complaint, you must provide a cost estimate to the GTR at least ____ calendar days before the end of the resolution period.
 - a. 15
 - b. 20
 - c. 25

3. If the GTR has notified you that the final HUD-1 lists unreconciled or unmatched sales closing proceeds, which of the following HUD documentation items would you **not** review to resolve the issue:
- a. Executed sales contract
 - b. HUD-1
 - c. Written challenge from purchaser
 - d. Wire transfer

Notes

[illegible]

Conclusion



Notes

[illegible]

Conclusion

Wrap Up

In this module, you learned about competitive and direct sales, sale terms, the terms of closing for an REO property and post-closing activities.

Objectives Learned

You should be able to:

- Describe different sales methods allowed by HUD.
- Describe the conditions whereby an offer is either accepted or rejected.
- State how back-up offers are utilized.
- State when earnest money is required.
- Explain the process for handling vandalism after a sales contract is accepted.
- Identify the conflicts of interest rules and exceptions.
- State the AM responsibilities for assigning sales to and overseeing closing agents.
- Explain when there are either fees or no fees for a contract extension.
- Describe how taxes, assessments, fees and dues are paid at settlement.
- State the AM responsibilities in handling purchaser complaints.
- Explain the process in correcting unreconciled or unmatched sales closing proceeds.

What's Next?

The next module, Financials explains transmittal processing.



Activity

Notes

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Guided Discovery Activity: Learning About Direct Sales Discount-Related Methods

Instructions

1. Instead of receiving training in these four areas, they are provided below in a discover exercise to enable you to learn. These four areas include:
 - a. Good Neighbor Next Door (GNND) Program
 - b. Sales to HUD-Approved Non-Profits and Government Entities
 - c. Asset Control Area (ACA) Programs
 - d. The Lottery Period
2. For each section you are provided a series of assignments and hints that, if followed, will significantly help you understand these areas.
3. When you are done, you can refer to the answer key immediately below the four sets of directions.
4. You can expect to take about 1.5 hours to work through all of these exercises.

#1: Good Neighbor Next Door (GNND) Program

Hint: Have two people review Attachment A10, and 2-3 people review the rest of the PWS information.

4. Provide a definition, set of terms and brief description of the rules for this kind of direct sales discount-related activity.
 - PWS References
 - 5.2.2.2: Direct/Discounted Sales
 - 5.2.2.2.1: Good Neighbor Next Door (GNND) Program
 - *Hints:* Who, what, where, plus discount and ownership pre-qualifier
5. List all of your "Need to Do" items during the GNND process.
 - PWS References
 - 5.2.2.2.1: Good Neighbor Next Door (GNND) Program
 - 5.2.2.2.1.1: Eligibility Screening
 - 5.2.2.2.2.4: Discounts
 - Attachment A10: Good Neighbor Next Door (GNND) Program
 - *Hint:* Make a step-by-step checklist.
6. List one highly important thing about your responsibilities in the GNND program.
 - PWS Reference
 - 5.2.2.2.1.1: Eligibility Screening
 - *Hint:* You will pay for it!

#2: Sales to HUD-Approved Non-Profits and Government Entities

7. Provide a definition, set of terms and brief description of the rules for this kind of discounted direct sales-related activity.
 - PWS References
 - 5.2.2.2.2: Discount Sales to HUD-approved non-profits and Government Entities
 - 5.2.2.2.2.1: Approved Purchase Areas
 - 5.2.2.2.2.2: Uninsurable Properties
 - 5.2.2.2.2.3 Insurable Properties
 - *Hints:* Who, where, RAL, insured/uninsured and discount when?
8. List all "Need to Do" items and "Need to Know" items regarding sales to HUD-approved non-profits and government entities.
 - PWS References
 - 5.2.2.2.2: Discount Sales to HUD-approved non-profits and Government Entities
 - 5.2.2.2.2.1: Approved Purchase Areas
 - 5.2.2.2.2.2: Uninsurable Property
 - 5.2.2.2.2.4: Discounts
 - *Hint:* The "Need to Know" items are the discounting information.
9. List one highly important thing about this discount-related direct sales activity.
 - PWS Reference
 - 5.2.2.2.2.4: Discounts
 - *Hint:* What happens to discounting when HUD changes things?

#3: Asset Control Area (ACA) Program

10. Provide a definition, set of terms and a brief description of the ACA program.

- PWS Reference
 - 5.2.2.5: Asset Control Area (ACA) Program
- *Hints:* Buyer beware! Agreed to what? Your job summary.

11. List your “Need to Know” items or “Need to Do” items regarding the ACA program.

- PWS References
 - 5.2.2.5(1) Notice of Designation
 - 5.2.2.5(2)(3) Valuation and Determination of Discount
 - 5.2.2.5(4) Preparation and Delivery of Sale Documents
 - 5.2.2.5(5) Re-appraisals
 - 5.2.2.5 (6) Value of Re-appraisal
 - 5.2.2.5(7) Transition Appraisals
 - 5.2.2.5(8) Demolitions
 - Attachment A: 5.4.3 ACA Status Report
 - 5.2.2.5(9) Closing Oversight
- *Hints:* P260, sequential and weekly activities, NOAs, property reappraisals, 14 calendar days to do what and why?, 20% - more or less – deviation, and new transition on the block.

12. List **two** highly important things about this discount-related direct sales activity.

- PWS Reference
 - 5.2.2.5(10) Housing Program Officers
- *Hints:* What do you do when HPOs get it wrong too?, Environmental “friendlies.”

#4: Lottery Period

13. Provide a definition, terms and a brief description of the Lottery Period.

- PWS Reference
 - 5.2.2.2.3: Lottery Period

Hint: Seven days of lottery nights; why, who, what, when, plus bidding eligibility and process.

14. List all “Need to Know” items or “Need to Do” items regarding the Lottery Period.

- PWS References
 - 5.2.2.2.3: Lottery Period
 - 5.2.2.2.3.2: Selection of Winning Bidder

Hints: Chronology with if/then’s, four (4) bidding rules.

15. List one highly important thing about the Lottery Period.

- PWS Reference
 - 5.2.2.2.3.2(5): Back-Up Offers
- *Hint: Back-up strategy!*

Answer Key

1: Answer: Good Neighbor Next Door (GNND) Program

You will assist HUD in the disposition of properties through a variety of discount sale programs that support HUD's mission of preserving communities and promoting affordable housing. HUD offers discounts to police officers, teachers, fire fighters, emergency medical technicians, qualified non-profits and government entities.

What/Where: The GNND program offers certain single-unit properties located in revitalization areas to eligible purchasers at a 50% discount off the list price.

Who: Eligible purchasers are full-time law enforcement officers, full-time teachers, and full-time firefighters/emergency medical technicians.

Eligibility:

- Eligible purchasers are full-time law enforcement officers, full-time teachers, and full-time firefighters/emergency medical technicians.
- Eligible purchasers do not own and have not owned during the period of one year previous to that date any other residential real estate as of the date of submitting an offer to purchase a property under the GNND program.

Note: Conclusive evidence of residential real property ownerships is having one's name on a deed for residential property. Purchasers may be a signatory to other mortgages (debt), but may not have their name on any other deed for residential property.

Responsibilities:

- Screen the eligibility of prospective GNND participants based on the guidelines set forth in Attachment A10 – Good Neighbor Next Door Program.
- Ensure GNND participants certify on HUD Form 9548-A, signed by themselves and their employing agency, their eligibility to purchase a home under the program by virtue of the nature of their job, that they will utilize the property as their sole residence, and own no other residential real estate for a term of three years from the date of closing.
- Review the Form HUD-9548-A, B, C and E as appropriate to ensure that it is accurately completed and contains no evidence of fraud prior to executing a sales contract.
- Verify the certification of employment on the Form HUD-9548-A and obtain from the appropriate HOC the results of a database search on each

participant to determine whether the prospective participant owns any other real estate properties.

NOTE: Do not allow the closing of a sale transaction if the prospective participants is found to be in noncompliance with program requirements. You shall reimburse HUD for the loss resulting from the discounted sale to an ineligible participant when such sale resulted from your properly conducting the required screening. HUD's loss shall equal the discount given to the ineligible purchaser.

2: Answer: Sales to HUD-Approved Non-Profits and Government Entities

HUD-approved non-profit organizations and government entities may purchase HUD-owned properties at a discount in accordance with 24 CFR 291.210(a), Mortgagee Letter 2001-30, Housing Notices 1994-72, and 1994-74, HUD Handbook 4310.5 Rev 2, Chapter 10 and any subsequent policy directive.

Who: Approved non-profits listed on the HUD Non-Profits Roster on HUD's website.

Where: Non-profits are only approved to purchase properties in specific areas. These areas are recorded in the Revitalization Area Locator (RAL) on the HUD website.

NOTE: You need to know that since this training was developed, HUD removed the RAL – it is no longer a tool in existence. HUD will communicate the process to you through your GTR on how you will be able to identify properties located in Revitalization Areas.

Insured:

- Prior to listing any uninsurable property for sale, utilize the RAL to determine if the property is located in an approved purchase area of an approved non-profit organization or government entity. If it is, make the property available during the lottery period to those parties whose approved purchase area covers the location of the property.
- During the exclusive or extended listing period, approved non-profits and government entities may purchase insurable properties located in an area where they are approved to purchase and will receive the appropriate discount off the bid price at closing.
- Regardless of method of sale, the approved non-profit or government entity shall receive the appropriate discount off the bid price at closing.

Uninsured: Qualified non-profits and government entities may submit bids in any amount during the exclusive and extended listing periods.

Discounts:

- Insured/Uninsured single-unit properties located within a revitalization area and sold under the GNND program – 50% off the list price.
- Uninsured properties located within a revitalization area – 30% off the sales price.

- Insured/uninsured properties located outside of a revitalization area and insured properties located within a revitalization area – 10% off the sales price.
- Insured/uninsured properties located outside of a revitalization area and insured properties located within a revitalization area receive a 15% discount if five or more bids are accepted from a single purchaser within a 15 business day period, and they are closed in a single transaction.

Discount If HUD makes changes: You may provide discounts in accordance with new rules, regulations or policies implemented by HUD.

2: Answer: Asset Control Area (ACA) Program

Under the ACA program, HUD agrees to sell, to an eligible participating entity, all vacant HUD-owned properties that are acquired in designated areas.

An eligible participating entity may be a local, county or state government or a HUD-approved non-profit that has executed a written ACA Agreement

The ACA Agreement includes

- Geographic boundaries of the ACA.
- Level of discount applicable.
- How the discount will be calculated.
- The type of assets that the ACA participant will acquire.

Notice of Designation: The AM pulls from the P260 an initial list of the ACA properties within the ACA boundaries and provides to ACA participants.

Valuation and Determination of Discount: The AM obtains an appraisal within 14 calendar days from the date of acquisition and determines the applicable discount and purchase price based on the appraised value of the property.

Preparation and Delivery of Sale Document's: The AM prepares a NOA that includes the purchase price and a closing date that is 45 calendar days from the date following receipt of the sales contract. The AM delivers the NOA and an original copy of the appraisal to the ACA Participant within 21 calendar days from the date of acquisition. Within five business days from the date of the NOA, the ACA participant return the executed NOA to the AM or provide a written notice of appeal of the appraised value. If the ACA participant returns a signed NOA, the AM notifies the Closing Agent.

Re-appraisals: When a written notice of appeal is received, the AM will obtain a second appraisal from a different appraiser. Within 14 calendar days from the receipt of the appeal, the AM will deliver a revised NOA to the ACA Participant with a copy of the new appraisal. The final purchase price shall be calculated based on the second appraisal.

Value of Re-appraisal: If there was no change in the property value, or the deviation in value of the second appraisal is less than 20% of the original appraisal, the ACA participant will be charged the cost of the appraisal. If the deviation in value of the second appraisal is more than 20%, the AM bears the cost of the second appraisal.

Transition Appraisals: In areas where an ACA Agreement has recently been established, and the AM has already obtained appraisals, the AM may use an existing appraisal if the appraisal has not expired.

ACA Demolitions: If the appraised value of a property is less than or equal to \$20,000, the AM contacts the ACA participant to determine if they elect demolition or wish to accept the property as is. If the ACA participant elects demolition, the AM prepares a NOA reflecting a purchase price of \$1.00 and a closing date that is after the expected completion of the demolition and deliver it, with the appraisal, to the ACA participant. Within five business days, the ACA Participant must return the signed sales contract. The AM places a demolition order in P260 for the FSM to have the property demolished prior to closing.

Closing Oversight: The AM must ensure that ACA sales close in a timely manner.

4: Answer: Lottery Period

- Within each Homeownership Center (HOC), HUD staff, referred to as Housing Program Officers (HPOs) have been assigned to work closely with ACA participants. Often the AM shall work directly with HPOs to facilitate the sale of ACA properties.
- Should the AM receive instruction from an HPO that is inconsistent with the terms of the PWS, the AM should immediately notify the GTR and request instruction.

Properties are listed for sale on the HUD Bid Site for a period of seven calendar days. Five calendar days for purchasers to notify HUD of preliminary interest and two calendar days for consideration and inspection.

- GNND participants must submit bids through a real estate broker licensed to do business in the state where the property is located. This does not apply to bids from qualified non-profit organizations or government entities.
- All bids must be equal to the list price of the property.
- AM will select by random drawing of lots, one winning bidder and, if there are sufficient bids, at least one back up bidder and, in the case of GNND, two back up bidders (see 5.2.2.2.3.2 for details.)
- If more than one bid is submitted during the Lottery Period, the AM holds at least one unsuccessful offer as a backup. The AM will give priority to GNND offerors in the selection of back-ups for single unit properties in Revitalization Areas.

Notes

[illegible]